



United States
Department of
Agriculture

Questions and Answers Bioenergy Program

Q.: What is the Bioenergy Program?

A.: The program reimburses participating bioenergy (commercial fuel grade ethanol and commercial biodiesel) producers for part of their costs of eligible commodities used in bioenergy production. Participating ethanol producers are reimbursed for part of their costs of eligible commodities used to increase ethanol production. Biodiesel producers participating under the new announced provisions will receive reimbursements for eligible commodities used for all biodiesel production.

Q.: What is the program's objective?

A.: The program encourages increased purchases of eligible commodities for the purpose of expanding production of such bioenergy and supporting new production capacity for such bioenergy.

Q.: What is the program's authority and how is it funded?

A.: Section 9010 of the Farm Security and Rural Investment Act of 2002 (Section 9010) is the authority for making payments on increased bioenergy production. Commodity Credit Corporation (CCC) is using its authority under Section 5(e) of CCC's Charter Act

to make program payments on biodiesel production that is not eligible under provisions of the 2002 Act. The program is funded using CCC's borrowing authority.

Q.: How does the program operate?

A.: Commercial bioenergy producers apply to CCC during a sign-up period to participate in the program for one or multiple fiscal years (FY). Eligible producers provide CCC with evidence of bioenergy production and purchases and utilization of agricultural commodities for the FY quarter and FY to date compared to the same time period in the prior FY.

CCC uses announced conversion factors, based on the eligible commodity used in bioenergy production, to convert the eligible bioenergy production into units of the commodity on which payments are made.

Annual funding is paid out on a quarterly FY basis.

Payments are structured to encourage participation of producers with less than 65 million gallons annual production capacity. Producers with total annual production of:

- less than 65 million gallons, are reimbursed 1 feedstock unit for

every 2.5 used for increased production;

- 65 million gallons or more, are reimbursed 1 feedstock unit for every 3.5 used for increased production.

A payment limitation restricts the amount of funds any single producer may obtain annually under the program to five percent of available funding (\$7.5 million for FY 2003). A payment factor is applied when requested payments exceed the annual available funds (\$150 million for FY 2003).

Q.: Why are payments made on base biodiesel production and not on base ethanol production?

A.: CCC determined that making biodiesel payments only on increased production coupled with the biodiesel industry's formative stage of development, did not create a stable environment for the biodiesel industry, as was intended by Congress in the 2002 Act. This same situation did not apply to ethanol with its more mature market and other Federal and State support programs. CCC determined that the additional support of making base production biodiesel payments was justified.

Q.: When is the sign-up period?

A.: The FY 2003 sign-up for bioenergy producers already in production or that will be in production before September 30, 2003, will begin May 7 and end June 6, 2003. The sign-up will cover production beginning October 1, 2002. In future FY, the sign-up period will begin August 1 of the FY before the FY of applicable enrollment and end 30 days later. For example, the FY 2004 sign-up will begin August 1, 2003.

Q.: Where can additional information, forms, and related instructions on the program be found?

A.: The program's Web site, "www.fsa.usda.gov/daco/bio_daco.htm" has all program information including payment formulas, announced conversion factors, forms, and related instructions.

Q.: What are the results of the program to date?

A.: Before the program began, annual U.S ethanol production was approximately 1.8 billion gallons and biodiesel production was approximately 2.0 million gallons.

- In FY 2001, program payments were made on 147.6 million gallons of increased bioenergy production over FY 2000 levels:
- \$32.7 million on 141.3 million gallons of increased ethanol production;

- \$7.9 million on 6.3 million gallons of increased biodiesel production.
- In FY 2002, payments were made on 228.2 million gallons of increased bioenergy production over FY 2001 levels:
- \$66.1 million on 219.3 million gallons of increased ethanol production;
- \$12.6 million on 8.9 million gallons of increased biodiesel production.

More Information

Further information on the Bioenergy Program is available in the Federal Register, 7 CFR 1424, published May 7, 2003, and on the program's Web site at: www.fsa.usda.gov/daco/bio_daco.htm.

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